

TESTIMONY OF JOHNNY C.C. CHUNG  
BEFORE THE COMMITTEE ON GOVERNMENT REFORM & OVERSIGHT  
HOUSE OF REPRESENTATIVES  
MAY 11, 1999

Good morning Mr. Chairman and members of the Committee on Government Reform and Oversight. My name is Johnny Chung. I reside in Artesia, California, with my wife, Kathy, and my three children.

I have been asked to testify before this committee on matters related to certain political contributions I made from 1994 through 1996. With your permission, **Mr.** Chairman, I will read this written statement and ask that it be made part of the record of these proceedings today.

In testifying before the Committee, I hope to clear the record once and for all regarding a number of matters that have touched my life so deeply. In particular, I hope to address and clear up a number of issues that have been raised concerning the motivations and circumstances surrounding my political contributions between 1994 and 1996 and, in particular, the many falsehoods, and misleading statements made by the media, politicians and others concerning

my experiences. I therefore Welcome the opportunity to-tell my full story to you today.

During our last meeting in November 1997, I advised you, through my counsel, that I was unable to provide you with the details of certain of my business relationships due to a pending criminal investigation by the Department of Justice. The Department of Justice has now agreed that I may testify, with certain limitations, and I will make every effort to provide this committee with full and accurate information and to answer as many questions as possible that I previously was unable to answer. After my testimony is complete, I am looking forward to putting this matter behind me once and for all.

At the outset, I must make the statement and observation that I believe my testimony here today will probably disappoint a lot of people. Contrary to what some people think, I have never acted as an agent for the Chinese government; I have never sought to do anything that might facilitate any sinister attempt to undermine the interests of my country, which I love. Far from it. I am a first generation immigrant, a U.S. citizen who, like your forefathers, do not speak English as good as my children and my wife do, but I am as loyal to our country

as any of you. One of my deep regrets about this entire matter has been the terrible impact that the campaign finance scandal, caused in part by myself, has had upon Asian-Americans, and in particular, Chinese-Americans. This controversy, which has been intensified by partisan politics, and a sometimes vicious and overreaching media, has caused me to fear that there will be a resurgence of the same type of anti-Chinese hysteria as we have seen historically in this country before. It is my hope that my testimony will help put a stop to the type of inflammatory columns written by people like Mr. **Safire** in the New York Times and others, who seem to want to blame everything on China and cast doubt on the loyalty of Chinese-Americans such as myself.

In this regard, I would note that Chinese-Americans and Asian-Americans have for over a century contributed to the growth and greatness of America. Asian-Americans, like your ancestors, have contributed and participated in every level of our society. However, in my view, we have not been successful in being full participants in the political process. I would note there is not a single **Asian-American** member of this committee except for Ms. Mink of Hawaii, and very few Asian-Americans in Congress or at high levels of our government. The system is setup so that if you donate money, you can participate. To participate

in the American political process, Asian--Americans, like myself, sought access just like any other group through a system we did not create. It is about this system that I will tell my story and how it ultimately destroyed my business and my reputation.

In telling my story to you, I must make one other observation and request. It seems to me that the American people deserve an answer from you politicians who talk a lot about changing and improving the system. Yet, more than two years after this controversy erupted, you, the Congress, have done nothing to change this system. Indeed, within the last month I received an invitation to a fund-raiser where I might have got yet another photo opportunity **with** some politician -- although most of you would probably run away from me at this point. What I want to say here is that I hope my testimony doesn't really end up being a shouting matching between you Democrats and Republicans. Your attacking each other or attacking others who have had their reputations ruined, in some instances without any justification, serves no useful purpose.

If you really want to do something about this, then change the system that allowed me to, with a few selected donations, attract the interest of the head of

Chinese military intelligence. -In--other-words; although -I certainly feel I have some responsibility in this matter, I also think you should look to yourselves and ask yourselves if you really want to do something about this. Adopt some laws and regulations that limit the need for such huge amounts of money in order to run a political campaign. Both sides are probably equally at fault for letting this need for money get out of hand. We unfortunately live in a system where ambassadorships can be bought and staying at the White House can cost as little as \$50,000 or access to our President or a presidential candidate can be had if you are famous in Hollywood. Again, please keep in mind that I didn't create this system, you did.

I therefore ask this committee to keep in mind that I don't think I am alone in suggesting that you politicians have the opportunity to be either heroes or hypocrites. I hope my testimony will help you ultimately to become heroes. When the historians write about this chapter in our history, hopefully they will say that our democracy survived the challenges of partisan politics and we were able to create a stronger and better country. You politicians should not always kow tow to the media, who you allow to influence you way too much-- a media which doesn't hesitate to destroy one's reputation without solid facts.

Were it not for the support of my family and the members of -my-church, I'm not sure I would have been able to have the strength to deal with the public and personal attacks on my character. I do remain hopeful that as I tell my story today, you will understand that this former busboy and supposed friend of the President's and politicians, has paid a very high price for my involvement in politics. I found myself wearing a body wire and along with my family at one point, in protective custody. I simply want to go back to a normal life where I can become an active and contributing member of my community once again.

I would like now Mr. Chairman to talk about my personal and business background which led me to get involved in this matter.

I was born and raised in Taiwan and came to the United States in 1983. After working as a busboy and working in a Holiday Inn, I ultimately opened my own business in the late 1980's. After having mixed success, I started a fax broadcast business using what was then fairly new technology. However, my desire to expand this business required a substantial amount of capital. As a consequence, I was constantly looking for shareholders or investors to help me ultimately take this business public.

By 1992, I began to target my business towards government agencies, political candidates and elected officials who I believed could get the most useful benefit from a fax broadcast capability. As my business records reflect, I was able to get business from a number of political candidates and ultimately secured a contract with the state of California from then Governor Pete Wilson's office. As a consequence of my efforts to develop business, I traveled extensively to many of the offices of governors throughout the country, including the then governor of Arkansas, Bill Clinton. It was ultimately at a National Governors' Conference in 1994 that I first came in contact with an official of the Clinton Administration who later invited me to attend my first significant fund-raiser, the President's 48th birthday party in August 1994. It was after this event that I began to realize the value and importance that political donations could have on my ability to get access and to further my business contacts. I also found it to be exciting. I can never forget the thrill that me and my family and my parents had when we first met the President and the First Lady at his birthday party. While you elected officials may be use to that kind of thing, most Americans, I think, including my family, were very much impressed and overwhelmed by this event. You get the feeling when you go to these things that you are a V.I.P. And even

though people' treated us like V.I.P. 's-only-because' we gave money; it still felt good.

I began to realize, however, that I could also get a little something back for giving money. I saw the opportunity of attending these events and getting pictures with people like the President and Vice-President and others as an opportunity to promote my business and in particular the possibility of access for potential shareholders, investors or other business clients. And as I will relate to you shortly, my first contacts with the **Haomen** Beer people in December 1994 started me on a road towards attracting investors and relationships from a number of business people based in the People's Republic of China. Little did I know then that these relationships would ultimately cause me great heartache. At the time I saw it as a great opportunity.

One thing I should try to make very clear at this point. Beginning in 1995 through the end of 1996, my business relationships in China evolved from efforts to obtain fax business to a business consulting relationship where I performed many services for these Chinese business contacts. It is important to have people understand that much of what these people wanted from me went well beyond me



~~simply just taking them to a fund-raiser.~~ These people wanted me to do everything from assisting them in getting a visa to enter this country, to escorting them around the country, providing interpreter services, paying their expenses, and making introductions to both business and government contacts.

Certainly, it was very important to these people to have pictures taken with high level American government officials. For people who do business in China, pictures are worth their "weight in gold." Just like many American companies such as Coca Cola or Pepsi will spend millions to advertise in the Super Bowl game, these business people and their companies treasure photographs with important people because in China such photographs project a great sense of importance and reflect the degree of your importance. As a consequence, they were willing to provide me significant sums of money to help them get these photos. We in America sometimes don't realize how important such things are in other cultures.

In addition, I promoted myself to these people as someone who could get a lot of such things done and that if they provided me with consulting fees or chose to invest in my company, I could assist their business efforts in the United States.

It is my opinion that much of what these people wanted from me had less to do with influencing any election as it was to gain what most Americans want from our system -- influence and the ability to develop relationships with important people. A lot of the people I met in China like Americans and wanted to move here or send their children here for education. In fact, despite the recent controversy about technology and espionage, a lot of the Chinese I met in the Peoples Republic of China admire Americans and wanted to do business and develop friendships.

Much has been written and said about me being a conduit for foreign source donations to the Democratic National Committee. I have told the FBI and I previously have maintained that whenever I was given money, it was generally to provide a number of services for my business partners, clients or investors. While there is no doubt that these people had some understanding that when I took them to an event I would often have to donate to get them in, there was never any discussion about how much to give or when to give. Perhaps the only exception was my encounter with Ji Sheng De, which I will discuss in a moment. For the most part, however, I chose when to go to an event, who to invite and how much I was to give. I usually decided whether to attend an event depending

on whether or-not I was trying to solicit someone--for-business and impress them, or demonstrate to them that I had the ability get them to meet the President or some important figure and have their photo taken with them. For whatever reason, this ability to do this service, among others, suggested to many who I dealt with in the People's Republic that I had connections and could introduce them to powerful people in this country.

I will note for the record that I received in excess of \$2 million from 1994 to 1996 as a result of my business relationships in China. Less than 20 percent of that sum was actually donated to political causes. A substantial portion of that money was used to either pay the expenses of my business, the expenses of entertaining and providing services to these business groups and to return investments back to some of my shareholders. Even with the incident involving Ji Sheng De and Liu Chao Ying, I never intended for my business to be used to make illegal political contributions. I always intended that I would have the ability to decide what to do with the money after I received it.

Before I turn to a specific discussion of the various events and individuals that I dealt with between 1994 and 1996, I would like to say that I am very

disappointed in the way that the Democratic National-Committee--has treated me in this matter. They prejudged my case, attacked me publicly and even attempted to persuade Judge Real, the judge who sentenced me last December, that I somehow was an evil man and deserving of great punishment. I think that they should be ashamed of themselves for attempting to jump on me and hide from the fact that they aggressively solicited me for money from August 1994 until the campaign finance controversy came to light in late 1996. I now realize that they took my money with a smile and made fun of me when I turned my back.

Today I have mixed feelings about the President and the First Lady but I can't help but think that they used me as much as I used them. I also think, however, that it was grossly unfair for the DNC to attack me when they were fully aware that I was doing a lot of business and cultivating friendships with people from the People's Republic of China. I felt vindicated when Judge Real, at my sentencing, said that if the DNC didn't know about my business relationships, they had to be the stupidest politicians he had ever seen. Most important, I thought it was vicious for them to write a letter to Judge Real when they did not know the true facts -- particularly, after I had secretly cooperated with the government, worn a body wire, put myself and my family at potential

risk and for some period of time lived in fear and uncertainty. On the other hand, the DNC certainly was not aware of the contacts that were made by Mr. Ji and the incident involving my receipt of \$300,000 from Liu Chao Ying in August 1996. I will now turn to my recollections of those events and other matters that I believe are of some interest to this Committee.

## LIUCHAO YING

I first met Liu Chao Ying in a restaurant in Hong Kong in June 1996 at a dinner I attended with one of my business' associates: -There were a number of big tables full of people at this dinner. Apparently, Liu had heard that I might be able to get her access to high level people in Washington, D.C. and Liu asked me if I would be willing to get her an invitation to the United States. I agreed and eventually she became part of the meetings and events that I had already scheduled in July 1996 for Mr. Yao and others.

I was going from Los Angeles to New York with Mr. Yao, who at that time wanted to take his companies public. I had previously met Federal Reserve employee Israel Sendrovic on a cross-country plane trip and Mr. Yao asked me if I could set up a meeting for these officials. I took Liu along during these meetings with officials in New York and Washington. She seemed impressed and told me that she wanted to do business with me. She explained that she was thinking of putting a company on the New York Stock Exchange. She said she would give me \$300,000 that I was supposed to use to help her set up her business which was supposed to be in telecommunications and commercial fishing

in Southern China. I then-setup Marswell Investments -in late -July/early August 1996 for this purpose. At the time, I used my own money to set up the company but I expected that these costs would ultimately come out of the \$300,000 Liu Chao Ying had promised me.

During the Washington, D.C. event with Liu and Mr. Yao, I introduced Liu to Don Fowler as the daughter of a powerful General. Fowler joked that he had a low rank in World War II. Also during that trip, I had a discussion with Liu Chao Ying at the Willard Hotel. Liu Chao Ying asked me if I had a Hong Kong bank account. I said yes and gave her my bank account number in Hong Kong by writing void across a blank check and giving the check to her. During this conversation, Liu Chao Ying also told me: “Don’t do business with Yao -- just do business with me.” I was still not sure if she would provide the \$300,000. I did notice on this occasion and on another occasion, that a picture of me was missing after I met with Liu Chao Ying. The other occasion was during one of my visits to Hong Kong.

Also during my various discussions with Liu Chao Ying, she informed me that she was going to change her travel plans as a result of what she felt were our

very productive meetings. Originally, she had been scheduled to go back to Hong Kong after this trip but changed her plans so that she could go directly to Beijing. She later told me that the reason that she went to Beijing instead of Hong Kong was so that she could tell her father about her trip.

## AUGUST 1996 MEETINGS WITH GENERAL JI

On August 7, 1996, I returned to Hong Kong with my daughter and her friend. On August 11, we were in Zhuhai (which is across the border from Macau and in China) when I received a phone call from Liu Chao Ying and she invited me to dinner with someone who she said was a very important man from Beijing. I accepted the invitation.

The dinner was on August 11, 1996. Liu Chao Ying picked me up in her car and we went to a restaurant which is famous for its abalone (I do not remember the name of the restaurant). She told me that the man we were going to meet with was very important. Liu Chao Ying stressed that I should not be afraid to talk myself up and she encouraged me to show him my brochure. Liu Chao Ying told me that I was a much more impressive prospect than Charlie Trie



~~-because I had-better-connections-than-qrie-and that my brochure was~~ -- much better than Trie's. I also would like to add one oddity that stuck out in my mind. At one point during our conversation, Liu Chao Ying made a cell phone call from the restaurant's basement. I asked her how she could make a call from a basement she said there was special antenna.

When General Ji arrived, he came through the kitchen and introduced himself as "Mr. Xu" -- the Chinese equivalent of "Mr. Smith." The General said, "You can call me Mr. Xu" and it was clear from the way he said this that this was a bogus name. I and Liu Chao Ying spoke with Ji about her recent trip -- talking up the past times I was able to get meetings with politicians and dignitaries. Liu Chao Ying was very deferential to Ji in a way that it made me think he was her boss or superior. The key information relayed to me at this dinner from Ji was the following:

"We really like your President"

"We hope he will be re-elected" or ["We would like him to be re-elected"]

"I will give you \$300,000 U.S. dollars"

"You can give it to [or use it for] your President and Democrat Party"

~~I was somewhat startled by this proposal and I wondered~~ who this man really was. However, I didn't want to insult him or insult Liu so I remained quiet and agreeable. I said something like "this is fine -- it would be great to do business together -- the more business I can do; - then the more money I can give [to the President and Democrat Party]."

Ji then left through the kitchen and then we left the way they came in. No one paid the bill. When I got in the car with Liu, she put her finger up to her lips and indicated that I should not talk while they were in the car with the driver. When we got out of the car I asked: "Who is he?" and she told me the General's name and who he was. I did not recognize the name. Liu scolded me and said that I needed to know my Chinese history better. She explained that his predecessor was the government official who said that the American Government should be more worried about missiles headed to Los Angeles than Taiwan. She then told me Ji was the Military Intelligence Director of the Peoples Liberation Army. She wrote down his name on a small piece of paper and gave it to me and I put the paper in my pocket. Since my daughter and her friend were there I was not going to make a big deal about this.

At the-time, I was staying with a friend,---The next- day, I told my friend who I met with, and my friend said that Ji is a very important person. I also showed my friend in Zhuhai the piece of paper with the name and he recognized the name.

## SECOND MEETING WITH LIU CHAO YING AND GENERAL JI

On August 13, 1996, I met again with Liu Chao Ying and General Ji back in Hong Kong. We met at a hotel lobby in the bar. The hotel is next to the Shangri La Hotel. I first was with Liu and then General Ji came in to join us. Ji said to me - “Now you know who I am.” He told me that his name was so sensitive that he still wanted me to call him by an alias - Mr. Xu (equivalent of “Mr. Smith”) Ji spoke in Chinese to Liu saying “I will wire \$300,000 to your account and you wire it to him.” Ji said he needed a “receipt” or “report” to give “to the organization”.

At this point, Mrs. Ji came into the bar and sat with us and the talk changed to talk about children. General Ji had a son who was attending UCLA. His son wanted to stay at UCLA and in the United States. Mrs. Ji said the son,

Alex, was the favorite of his grandfather. It was a very informal discussion of mothers and fathers talking about their kids. Mrs. Ji also said she was going to come back to the United States where she told me she had already lived for 11 years. Alex began to work at AISI, my company, shortly after I returned from this trip. He worked beginning in Oct/Nov 1996 and on and off through February 1997.

After Ji left this meeting, I briefly expressed to Liu my concern about getting involved with the General's money. My understanding was that she was going to give me the \$300,000 and now that was changing and I didn't want to get involved in this kind of arrangement. I then went back to my hotel room.

The next morning, August 14, Liu called me early and was yelling at me about not having a U.S. dollar account in Hong Kong (I had previously given her my account number at a Hong Kong bank). Liu always talked in foul language and she said to me, "Damn it [her language was worse] how come you don't have a U.S. dollar account?" I told her to come over **after** she was done so I could talk with her.

When she came over later that day I continued to raise my concerns --about getting the money from General Ji instead of Liu herself. I also pointed out that the money was supposed to be for the various business deals we had discussed in July. In response, she told me that I could use the money for three things: I could give it to the President and Democratic party, I could use it to take care of the General's son, Alex, and I could use it for my own purposes/business and to set up my and Liu's companies. I told Liu I was concerned because she had promised me her money and now this was something different.

In what I perceived as an effort to persuade me that it was okay to do it this way, she told me that Mark Middleton also "got half a million" from a Singapore group from someone named Hwang, Huang or Wong and the purpose of the money was "to do good things for China," or to benefit China. She also mentioned a "Boeing Representative in Hong Kong," who she said they gave a lot of business to. In conjunction with the "Boeing representative," the name Young was mentioned. She also said that "we gave him the business in order for him to do good things for China." I did not have a first name of this Mr. Young. My sense was that I was told this so I wouldn't be worried about taking this money from Ji and Liu Chao Ying. My impression of these other examples was

that they were involved in developing relationships and access to help China.

I had limited dealings with Mark Middleton but knew who he was when Liu mentioned him. I had met him through Richard Sullivan in 1994 and had contacted him in early 1995 to talk about a friend who needed some assistance with a Swiss bank account. The friend was Ruth Lin, a child of a rich Chinese family. Supposedly she was prepared to help the DNC if she could get help with this bank account. She told me that there were people who were trying to kill her and she wanted to get the family's bank account in Switzerland. I called Sullivan and asked him to have Mark Middleton call to help her. I also asked Middleton to call her too. Middleton told me that my associate Larry Liou was also pressing him to do something for her. I also saw Middleton at the White House when I visited in 1996.

After these representations from Liu, I kept the money which actually had already been transferred into my account that morning by Liu. I never had any intention to give the \$300,000 to the Democrats and I ended up following Liu's advice and used the money primarily for myself and for helping the General's son, although I did make a donation to the DNC that was from the same account

into which Liu made the deposit. I commingled money -from multiple sources into this account and I did not intend for the donation to come strictly from Liu's funds. I also donated to John Kerry in this time frame but in my mind, I had already obligated myself to contribute to Kerry back in July When his people arranged the meeting at the SEC for Liu Chao Ying and Mr. Yao. As I have said before, although I received money from many sources, I, alone, decided how and when to donate it, who to donate to, and how much.

I believe my bank account at Overseas Trust Limited shows a wire being received on August 14, 1996, and then it went to my Cal Fed bank account. I wrote a check for the President's Birthday party from that account. On August 16, 1996, I transferred the money from Cal Fed to General Bank in order to make a contribution to the DNC. I would also note that on this same day, Mr. Yao wired \$200,000 into this same overseas trust account. I always considered the money in this account, including the money from the General, to be my money, and I was free to do with what I wanted. I emphasize that except for the General, no one told me to give money to the Democrats. All of the money I received I have reported as income.

I next saw General Ji's wife when she came back to the United States with her son. I set up their attendance at a Presidential fundraiser - the "Back to the Future" event - at a California movie studio on October 17, 1996. I took my driver and secretary as well as the General's wife and Alex to meet the President. There was a mix up with the DNC and my driver and secretary were given a private audience with the President while me and the General's wife and son were not included. While my driver and secretary were very appreciative, I was very upset. When the President came into the main event, I moved my way to the front and got in contact with the President and introduced the General's wife and son. The President spoke with Alex and asked him what he was majoring in at college. A picture was then taken by the General's wife or Alex, but I do not know what happened to it.

Ultimately, I did not donate any money to the DNC for this event because they made a mistake with the introduction and photo opportunity. Karen Sternfeld of the DNC complained to me that I didn't give them enough money and I explained to her that this was a very important guest and they had made a mistake. I said Irene Wu (my employee) usually handled all the details in setting up attendance at these events and she had called the General's wife and son to set



this up. At this event, I tried to talk with Democratic National Committee chairman Don Fowler and Fowler scolded me for not meeting my fundraising obligations.

At some point in the fall of 1996, General Ji raised concerns with me that Liu Chao Ying could only get a one-entry visa instead of the multiple entry visa that she had received on a prior occasion. Before the July 1996 Eli Broad fundraiser, I went with Liu to get a visa in Guangzhou, China and told a female consular officer that since this was a General's daughter and that she previously had a multiple entry visa, she should get a multiple entry visa again.

After Liu deposited the money into my account, I wrote a letter (August 18, 1996) to get Liu Chao Ying an invitation to Washington, D.C., and to go to the Democratic National Convention. At this point, Liu didn't get her visa and she couldn't come. Don Fowler also invited her to come to the convention.

## CHARLES PARISH

In early 1995, Mr. He, the president of Haomen Beer, asked me to obtain a visa because his was expired. I had previously met Mr. He when I took he and a delegation around Washington, DC in December 1994 in order for them to promote their beer in the United States. I took Mr. He to the United States embassy where I was introduced to Charles Parish. I felt at that time that Mr. Parish and I sort of “hit it off” and were going to be friends. It was not until later that I became aware that Parish and Mr. He of Haomen Beer had developed a separate relationship.

Charles Parish helped me get visas for dozens of people who asked me to provide them with invitations to the United States. I also socialized and did many favors for Mr. Parish. I took him as my guest to the September 1995 DNC fund raiser at the Century Plaza Hotel in Los Angeles, to which he also brought his sister and his girlfriend. At the event I took Parish to a private VIP reception with President Bill Clinton. Mr. Parish insisted that Mr. He and Mr. He’s girlfriend have the opportunity to have their picture taken with the president. This was a request that prompted the DNC to ask me for an additional \$70,000 contribution. After the Century Plaza event, I arranged a private tour of First

Lady Hillary Clinton's office-for Mr. Parish-when-both he--and I-were in Washington D . C.

At Mr. Parish's request I gave invitations to the United States to at least two women who were girlfriends of his.

In Beijing, Parish would occasionally stop by my office. On one of these visits he asked me to hire a computer tutor to train his secretary at the embassy. I spent \$500 of my own money accommodating this request. He also asked me to pay the tuition for seven students who he knew, that wanted to be educated in the United States. Although I did not know these students, I spent between \$743,000 of my own money doing this for Mr. Parish, including sending school supplies like computer programs and books directly to Beijing at his request.

Charles Parish did help me out on many occasions. As I stated previously, he approved visa applications for business associates that I brought to him. However, by the end of 1995, I decided I did not want to continue my relationship with Parish. Part of the reason why I no longer wanted to deal with Parish was because he and Mr. He had entered into a relationship that I was not

comfortable with. On at least one occasion, I was asked by Mr. -He to give a shopping bag of money and visas to Parish. Several months later Mr. Parish asked me to have Mr. He call him. Parish said that he wanted to be sure that the people he provided visas for actually came back to China. Later, Parish told me that indeed, they did return to China. I became unhappy with the way I was being treated by my business associates in Beijing so I decided to close my office. Too many people were asking me for visas, rather than doing business with me.

ROBERT LUU

Early in 1996, when I was in Beijing, I said I was called in the middle of the night by a man named Cui Bao Chien (connected with the Great Wall International Culture Company) who woke me up and said I needed to come over to where he was at a karaoke bar. I went there and walked into the room where I was directed and it was a conference sized room with men and women around a table. I was introduced to the people and one of the people in the room was Mr. Robert Luu who was a Chinese-American/U.S. citizen who was in Beijing and had not gone back to the States because of some legal problem. He asked me how to handle his case and I told him he should go back to the U.S. to work it

out.

I next met Luu in mid-1996. Luu came to the AISI office in Los Angeles, where I met him for approximately ten minutes . Luu discussed a business proposal.

The next time I heard from Luu was before my plea. In February 1998, I received a call at my business office from Mr. Luu. A message was left that I had received a call from a Mr. Luu from Beijing. I didn't remember who Luu was and I did not call him back.

I pled guilty in March 1998 and began being debriefed by the FBI. Luu called me again. At that time I had been told by the FBI to keep a recording device to record any suspicious conversations, so I did so with this man. In late April/early May 1998, Luu called me and asked how I was doing. He also spoke sympathetically about me being in a difficult situation. Luu asked to meet with me and I obtained specific instructions from the FBI about how to deal with Luu. Again, I was instructed to record all of their conversations. In their first meeting Luu started talking about a Commander Lee, who wanted to take care of me.

The message was as follows: 'if you keep your mouth shut; you and your family will be safe.' The Chinese are more polite and indirect than this so the words do not precisely translate. The Chinese communication was much more subtle. Nevertheless, this was how I interpreted the meaning of the words.. -Essentially the message that I believed I was given was that me and my family would be safe if I didn't talk and if I did talk, I could not be certain what would happen. At a minimum, I believed I was being threatened. The FBI told me that they suspected Luu might have criminal connections.

Luu also suggested he was in contact with some people from Beijing who were also known to me. Luu also mentioned that he received money from Beijing. Luu said they would give me money to take care of my legal expenses and my family and I could retire. Luu also asked if we could meet again and gave me an address. I was also given a code to use. This was in early May. Throughout this process, the FBI was monitoring communications. The FBI identified Luu as a San Gabriel businessman.

In the next meeting with Luu, I raised questions about my security. We met in an open area for about 10 minutes and Luu wanted to know the name of

my judge. Luu also gave me the business card of an attorney.- He told me he wanted me to meet the attorney at a downtown location and asked me to bring my case file. Again Luu inquired about my family and he again implied that I should keep quiet and that, if I did so, things would be okay. Luu also told me that he would give me money to pay for my legal bills and said that he thought it possible that Chinese political prisoners could be released if I didn't cooperate. At the time, I felt Luu was scripted in the same way that I had been scripted by the FBI.

In the first week of May, I learned that the New York Times was doing a story that involved Liu Chao Ying and the \$300,000. The FBI and I were very concerned that the news story would scare Mr. Luu off. My attorney and I tried to get the New York Times to kill the story. They refused. On the day before the story came out (May 15, 1998), I ended up going forward with a meeting with Luu and his attorney. I consulted with the FBI before I proceeded. The plan was to tell Luu and the attorney that the New York Times may come out with a bogus story and I was going to say that the FBI was really beating up on me and I actually gave them an FBI agent's business card.

When I met with the attorney and Mr. Luu, there were FBI agents

throughout the- building. I was told the-attorney was- connected and knew -the number three person at DOJ and that he was familiar with the Judge that was presiding over my case. Luu and the attorney were pitching me to replace my lawyer, Mr. Sun. The lawyer gave me an example of someone who did not cooperate and how everyone around him was taken care of. He said that this client was sentenced to a country club jail.

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One of the things that the FBI encouraged me to ask Mr. Luu was -- “Who’s behind you?” When I asked him, Luu responded by giving me the nickname that I given previously to Liu Chao Ying. The nickname was “gunyang” which means “country girl.” Luu said “gunyang” was happy that I was protecting her. Luu also mentioned General Ji. Luu also suggested they could plant newspaper stories and that I might be able to get a presidential pardon.

Separately, Mr. Luu implied that they could ensure that the Judge would give me a light sentence. The attorney also said he had experience with Watergate. I asked him how he could help me. I was coached by the FBI to be skeptical and press for answers. In this meeting Mr. Luu said that they could



take care of my attorneys' fees. I was very nervous- during this--meeting and afterwards the FBI concluded that I had to be moved to a safer place. At that time they moved me to a hotel for 21 days with my family. My daughter who was **graduating-** in this time frame had to go to **graduation with an FBI escort.** I also had many phone calls and faxes with Mr. Luu both before and after these meetings. This was a period of great stress for me and my family.

There were at least a dozen meetings and conversations between me and Luu during May, June and July - up through the President's visit to China in the summer of 1998. On Memorial Day weekend, Luu said he had money at my house for me to pick up but the FBI was afraid for me to be alone in his house and they didn't have me go through with picking it up. At another point, Luu was going to put money into an account for me but he didn't come through with it.

By July, Mr. Luu started making self serving statements on the tapes and tried to distance himself from previous statements. I was instructed by the FBI to tell Mr. Luu that I was going to be subpoenaed by the grand jury and that I had to tell the truth. Mr. Luu at that point had talked about how he thought he was

being followed or taped and he told me to tell the truth.

By the end of the summer, I told Mr. Luu that I was going to be subpoenaed and asked what I should do. By this time; Luu suspected something was going on -- either he was under surveillance or he was being taped -- and he began making self-serving statements and exculpatory statements. Luu said if he was ever caught he “would deny” everything and that he doesn’t “know Liu Chao Ying; doesn’t know anybody” Luu told me at this point that I should tell the truth. Luu also said at this point that he just wanted to get my case for the other lawyer. I also asked Luu if I should blame this on General Ji and Mr. Luu said sure -- the “gunyang” would like that.

My last question to Luu was “What should I tell them about you?” This question made Luu very uncomfortable and Luu said, “I know nobody, I’m nobody...” I told him I couldn’t lie to the grand jury. I worked with the FBI throughout this entire effort and was coached on what to say to Luu.